

Message Text

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ACTION NEA-09

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 L-02 H-01

AGR-05 PA-01 PRS-01 USIA-06 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 /085 W

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R 061027Z FEB 75

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 8714

INFO AMEMBASSY DACCA

AMEMBASSY COLOMBO

AMCONSUL KARACHI

AMEMBASSY NEW DELHI

AMCONSUL LAHORE

AMCONSUL BOMBAY

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E.O. 11652:N/A

TAGS: ETRC, IN, PK

SUBJECT: INDO-PAKISTAN TRADE

REFERENCES: A. ISLAMABAD 11324

B. ISLAMABAD 0924I

C. NEW DELHI 1397

1. SUMMARY. GOP COMMERCE SECRETARY, E.A. NAIK, TOLD EMBOFFS HE EXPECTS GOP MISSION, WHICH WILL VISIT INDIA IN MARCH OR APRIL, TO EXAMINE QUALITY AND PRICES OF POTENTIAL INDIAN EXPORTS TO PAKISTAN. HE EXPECTS MISSION TO CONCLUDE SALES AGREEMENT AS TRADE BETWEEN TWO COUNTRIES CANNOT BE ONE-WAY STREET. GOP ATTITUDE TOWARD PAKISTAN-INDIAN TRADE AMBIVALENT. FOR SECURITY AND POLITICAL REASONS, GOP DOES NOT WISH TO BE DEPENDENT UPON INDIA. NEVERTHELESS, INDIAN MARKET IS ATTRACTIVE

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DURING PERIOD OF FALLING INTERNATIONAL PRICES AND SLACKENING DEMAND FOR PAKISTAN'S MAJOR EXPORTS. END

SUMMARY.

2. FEBRUARY 5 ECON COUNSELOR AND EMBOFF DISCUSSED INDO-PAK TRADE WITH E.A. NAIK, SECRETARY, MINISTRY OF COMMERCE, WHO WAS LEADER OF GOP TRADE DELEGATIONS IN BOTH NOVEMBER 1974 AND JANUARY 1975. NAIK STATED THAT THE JANUARY AGREEMENT MERELY PROVIDED SPECIFIC DETAILS IN ORDER TO IMPLEMENT THE GENERAL AGREEMENT SIGNED LAST NOVEMBER. ICML E/03, ONE BANK IN EACH COUNTRY (IN PAKISTAN, THE NATIONAL BANK OF PAKISTAN) HAS BEEN DESIGNATED TO HANDLE ALL PAYMENTS.

3. PAKISTANI OFFICIALS FROM VARIOUS STATE COMPANIES, SUCH AS THE BANK OF INDUSTRIAL MANAGEMENT, LED BY THE DIRECTOR OF PAKISTAN TRADING CORPORATION, WILL GO TO INDIA IN MARCH OR APRIL TO EXAMINE THE QUALITY AND PRICES OF ITEMS WHICH INDIA WISHES TO EXPORT TO PAKISTAN AND SHOULD MAKE A NUMBER OF PURCHASES. NAIK NOTED THE RECENT INDIAN PURCHASE OF APPROXIMATELY \$25 MILLION OF PAK COTTON AND STATED THAT THOUGH THE PAK-INDO TRADE AGREEMENT WAS NOT A BARTER ARRANGEMENT, OBVIOUSLY TRADE COULD NOT BE A ONE-WAY STREET. HE ADDED THAT THE INDIANS NEEDED TO BUY AS MUCH AS 500,000 BALES OF COTTON BUT AS OF NOW THEY HAD ONLY BOUGHT 200,000 FROM PAKISTAN.

4. NAIK OBSERVED THAT BECAUSE OF NO TRADE FOR APPROXIMATELY TEN YEARS, PAKISTANIS HAVE LITTLE KNOWLEDGE OF THE QUALITY OF INDIAN GOODS. FURTHERMORE, WITH THE EXCEPTION OF A FEW ITEMS SUCH AS TEA, THE PRICES OF POTENTIAL INDIAN EXPORTS ARE NOT AUTOMATICALLY SET BY THE INTERNATIONAL MARKET AS IS THE SITUATION FOR PAKISTAN'S CHIEF POTENTIAL EXPORTS TO INDIA, RICE AND COTTON.

5. NAIK STATED THAT THE INDIANS WISH TO SELL A WIDE RANGE OF ELECTRICAL AND HEAVY INDUSTRIAL GOODS TO PAKISTAN, AS WELL AS JUTE AND TEA. HE ADDED THAT TEA WOULD APPEAR TO BE A LIKELY CANDIDATE AS A MAJOR IMPORT BUT THE PROBLEM LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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IS COMPLICATED BY THE FACT THAT PAKISTAN NOW IMPORTS THE BULK OF ITS TEA FROM SRI LANKA, A MAJOR IMPORTER OF PAKISTANI RICE. HE NOTED THAT A LIKELY PAK IMPORT IS COAL NOT ONLY FOR THE PROPOSED STEEL MILL BUT FOR CURRENT INDUSTRIAL USE. PRESENTLY, PAKISTAN IMPORTS COAL FROM POLAND AND IT WOULD APPEAR THAT FREIGHT SAVINGS COULD BE SUBSTANTIAL. IN MANY SECTIONS OF PAKISTAN, INDIAN COAL WOULD EVEN BE COMPETITIVE WITH COAL FROM BALUCHISTAN SHOULD RAIL LINKS BE RESTORED WITH INDIA. NAIK STATED, HOWEVER, THAT HE DID NOT EXPECT THE VOLUME OF TRADE TO

BE SUFFICIENTLY LARGE FOR SOME TIME TO JUSTIFY THE
RESUMPTION OF RAIL LINKS.

6. NAIK APPEARED TO BE PLEASED AT THE SUCCESSFUL
CONCLUSION OF THE TRADE TALKS BUT ONE AGAIN STATED, AS
REPORTED IN REF A, THAT THE TOTAL VOLUME OF TRADE BETWEEN
PAKISTAN AND INDIA IS NOT LIKELY TO BE LARGE FOR SOME
TIME. HE OBSERVED THAT IT WILL BE EASY TO REGULATE THE
VOLUME OF TRADE AS IT WILL ALL BE THROUGH STATE CORPORATIONS.

7. COMMENT. THE ALREADY CONCLUDED PAK SALE OF \$25 MILLION
OF COTTON TO INDIA IS FAIRLY SUBSTANTIAL AND THE PAKS
HOPE IN THE FUTURE TO SELL MUCH MORE PLUS LARGE QUANTITIES
OF RICE. THE PAKISTANIS SEEM TO BE IN AMBIVALENT
POSITION. ON ONE HAND, THEY WISH TO RESTRICT THE VOLUME
OF TRADE FOR SECURITY AND POLITICAL REASONS IN ORDER NOT
TO BECOME DEPENDENT TO ANY SIGNIFICANT EXTENT UPON INDIA.
ON THE OTHER HAND, DURING A PERIOD OF FALLING INTERNATIONAL
PRICES AND SLACKENING DEMAND FOR PAKISTAN'S MAJOR EXPORTS,
THE GOP IS INTERESTED IN MAXIMIZING EXPORTS TO INDIA FOR
BALANCE-OF-PAYMENTS PURPOSES.

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